

## Accounting Internal Controls for County Auditors

May 2011

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### Internal Controls

- Control Environment
- Risk Assessment
- Control Procedures
- Monitoring
- Information and Communication

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### Control Environment

- Integrity and Ethical Values
- Commitment to Competence
- Philosophy and Operating Style
- Organizational Structure
- Assignment of Authority & Responsibility
- Human Resource Policies and Practices
- Oversight

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### Risk Assessment

- Established Objectives
- Activity level objectives are linked to Auditor and county objectives
- Risk Identification
- Risk Analysis
- Managing Risk During Change

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### Control Activities

- Relate to every other element of internal control
- General
  - Policies and Procedures
  - Communicated
  - Implemented

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### Common Areas of Control Activities

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|-------------------------|--------------------------------------|
| • Reviews and Approvals | • Execution of Transactions & Events |
| • Management of People  | • Recording Transactions & Events    |
| • Managing IT Systems   | • Access Restrictions                |
| • Physical Safeguards   | • Documentation                      |
| • Performance Measures  |                                      |
| • Segregation of Duties |                                      |

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## Information and Communication

- Important information identified and communicated upward
- Management's messages are clearly communicated
- Means of communication are appropriate and specified




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## Monitoring

- Strategy to monitor and make certain appropriate actions are taken based on monitoring
- Information is flowing to management from within and from the outside
- Appropriate Supervision
- Comparisons or reconciliations of data & assets
- Audit Resolution

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## Areas for Auditors to Review

### TAXATION

- Correction of Errors
- Tax Sale Lists
- Surplus Tax Ledger
- Tax Sale Surplus Ledgers

### FINANCIAL

- Quietus & Report of Collections Processing
- Segregation of Duties

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## Property Tax Corrections of Errors

- Limit who can post within your office.
- Require an approval of the posting to be evidenced.
- Never allow the county treasurer to post corrections.
- Carefully review any corrections coming from the county treasurer to make certain you agree with the correction.

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## Tax Sale List

- Review and understand each of the parcels removed from a tax sale listing.
- Compare the listing to the delinquent parcels on your system.

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## Surplus Tax and Tax Sale Surplus

- Subsidiary ledgers and control ledgers should be routinely reconciled.
- Identify and Correct Errors detected in a timely manner.




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### Quietus Process

1. Auditor completes "Quietus and Application to Pay"
2. Customer takes form and money to Treasurer
3. Treasurer completes their Receipt
4. Customer takes Receipt to Auditor and exchanges it for the Quietus.

Used for non-tax payments only

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### Segregation of Duties

- This is a process of identifying incompatible duties and assigning them to different individuals.
- This is part of the Form 7 that the field examiners ask you to complete for the internal control evaluation we are required to perform as part of your audit.

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#### Cash Receipts (Non-Tax)

	A	1st	2nd X	2nd Y	3rd	T	BD COM	CC	NA
Open mail and write receipt			X	X	X				
Receive money, issue official receipts			X	X	X				
Take off cash register totals						X			
Balance cash drawer or cash register						X			
Make up bank deposits						X			
Take deposits to bank or remit to receiving officer						X			
Post receipts		X	X						
Access to computer system to make adjustments	X	X							
Approves adjustments	X	X							

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Cash Receipts (con't)

	A	1ST	2ND X	2ND Y	3RD	T	BD COM	CC	NA
Post credits to accounts receivable									X
Prepare customer billings									X
Mail billings or statements									X
Approve bad debt write offs							X	X	
Approve accounts receivable adjustments									X
Issue permits, licenses, etc.	X	X	X						

Cash Disbursements for Purchases

	A	1ST	2ND X	2ND Y	3RD	T	BD COM	CC	NA
1. Authorize purchases	X								
2. Prepare purchase orders	X								
Certify receipt of goods or 3. services		X							
4. Audit claims				X					
Approve claims - Disbursing 5. Officer	X						X		

Cash Disbursements

	A	1ST	2ND X	2ND Y	3RD	T	BD COM	CC	NA
Write checks	X	X							
Post checks	X	X							
Sign checks - Control of signature stamp	X	X				X			
Mail or distribute checks				X					
Custodian of petty cash	X								
Custodian of investments						X			
Access to check stock	X	X							
Access to computer system to make adjustments	X	X							
Approves adjustments	X	X							

Cash

	A	1ST	2ND	2ND	3RD	T	BD	COM	CC	NA
		X	Y							
1.Receives bank statement in mail and opens it						X				
2.Compares checks cleared to disbursements posted						X				
3.Compares deposits to receipts posted						X				
Prepares bank						X				
4.reconcilement						X				
Approves bank						X				
5.reconcilement						X				

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## FINAL REVIEW OF SEGREGATION OF DUTIES

Compare incompatible duties across the groupings of:

- Cash Receipts
- Cash Disbursements
- Cash



- You may want to review this for tax payments too.

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